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JOINT STANDING COMMITTEE ON FOREIGN AFFAIRS,  
DEFENCE AND TRADE DEFENCE SUBCOMMITTEE

**Reference: Australia's defence relations with the United States**

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**JOINT STANDING COMMITTEE ON  
FOREIGN AFFAIRS, DEFENCE AND TRADE**

**Defence Subcommittee**

**Friday, 9 September 2005**

**Members:** Senator Ferguson (*Chair*), Mr Edwards (*Deputy Chair*), Senators George Campbell, Eggleston, Hutchins, Johnston, Kirk, Moore, Payne, Scullion, Stott Despoja and Webber and Mr Baird, Mr Barresi, Mr Danby, Mrs Draper, Mrs Gash, Mr Gibbons, Mr Haase, Mr Hatton, Mr Jull, Mrs Moylan, Mr Prosser, Mr Bruce Scott, Mr Sercombe, Mr Snowdon, Mr Cameron Thompson, Mr Turnbull, Ms Vamvakinou, Mr Wakelin and Mr Wilkie

**Defence Subcommittee members:** Mr Bruce Scott (*Chair*), Mr Hatton (*Deputy Chair*), Senators Ferguson (*ex officio*), Hutchins, Johnston, Payne and Scullion and Mrs Draper, Mr Edwards (*ex officio*), Mrs Gash, Mr Gibbons, Mr Haase, Mr Snowdon, Mr Cameron Thompson, Mr Wakelin and Mr Wilkie

**Senators and members in attendance:** Senators Ferguson, Hutchins and Scullion and Mr Edwards, Mr Bruce Scott, Mr Snowdon and Mr Wilkie

**Terms of reference for the inquiry:**

To inquire into and report on:

Australia's Defence Relations with the United States.

Since World War Two, Australia and the United States (US) have developed strong defence relations. In particular, the last decade has seen a new level of defence relations encompassing Australian involvement in the first Gulf War, the invoking of the ANZUS Treaty, and Australian involvement in US led coalitions in Afghanistan and Iraq.

The Defence Update 2003 commented that Australia's alliance with the US remains a national asset and the United States current political, economic, and military dominance adds further weight to the alliance relationship.

How should the Australian-US alliance be developed to best meet each nation's security needs both in the Asia Pacific region and globally focusing on but not limited to:

- the applicability of the ANZUS treaty to Australia's defence and security;
- the value of US-Australian intelligence sharing;
- the role and engagement of the US in the Asia Pacific region;
- the adaptability and interoperability of Australia's force structure and capability for coalition operations;
- the implications of Australia's dialogue with the US on missile defence;
- the development of space based systems and the impact this will have for Australia's self-reliance;
- the value of joint Defence exercises between Australia and the US, such as Exercise RIMPAC;
- the level of Australian industry involvement in the US Defence industry; and
- the adequacy of research and development arrangements between the US and Australia.

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**Subcommittee met at 9.33 am****TOW, Professor William Terry, Professor in International Security, Department of International Relations, Research School of Pacific and Asian Studies, Australian National University**

**CHAIR (Mr Scott)**—I declare open this morning's public hearing. It is the fifth and final hearing in a series of public hearings on Australia's defence relations with the United States. The Security Treaty between Australia, New Zealand and the United States of America, the ANZUS treaty, which came into force on 29 April 1952, is a key element supporting Australia's national security. The treaty remains relevant in a strategic environment increasingly challenged by terrorism. The evidence to the committee, in its inquiry so far, is overwhelmingly in favour of the alliance and the security it provides for Australia. The committee continues to examine how the alliance with the United States can be developed to best meet each nation's security needs both in the Asia-Pacific and globally.

I advise you that the proceedings here today are legal proceedings of the parliament and warrant the same respect which proceedings in the respective houses of parliament demand. Although the committee does not require you to give evidence on oath, you should always be aware that this does not alter the importance of the occasion. The deliberate misleading of the committee may be regarded as a contempt of the parliament. The committee prefers that all evidence is given in public but should you, at any stage, wish to give any evidence in private you may ask to do so and the committee will give consideration to your request. Professor Tow, I will now invite you to make an opening statement, after which we will proceed with questions and discussions.

**Prof. Tow**—First, thank you very much for having me here this morning to discuss a topic I suspect many people would say constitutes a significant portion of my academic and professional life. I am always pleased to come before you to talk about various alliance issues and problems. As you can also ascertain by my accent, I am a dual citizen. I am a proud Australian and I am a proud American as well. So perhaps in that sense, my perspective on the alliance might be a bit unique. I have prepared a 4½ page synopsis for you outlining some of the key issues. I am not going to go through all of this verbatim; I will quickly summarise this in dot-point form.

Probably one of the most significant developments for Australian foreign and security policy, since the issues paper was released in March of this year, was the decision by Australia to adhere to the Treaty of Amity and Cooperation in South-East Asia. You are all familiar with the issue that our government initially had, which was whether that would contradict ANZUS obligations. There has now, of course, been an arrangement made, which I am happy to discuss with you in detail, where Australia can adhere to the TAC while, at the same time, remain consistent with its treaty obligations. There have been some other significant developments. Perhaps one of the most significant would be the announcement by Secretary of State Rice and Foreign Minister Downer in May that the trilateral strategic dialogue between Australia and the United States in Japan will now be upgraded to a full ministerial level of consultations. For the committee's review, I have brought a copy of a study which we conducted with the Research Institute for Peace and Security in Tokyo. It is in both Japanese and English. It goes into some detail on the processes and implications of that particular development. There have also recently been

disclosures by Defence Minister Hill and others that the intelligence relationship between the United States and Australia has been upgraded. That should have some implications for alliance interoperability and alliance collaboration over the long term, which are fairly significant.

There have been some interesting polls that have come out over the past few months in this country about alliance support, and they are somewhat contradictory. The Lowy Institute poll was quite surprising because the data produced from the institute showed that there was lower than expected support by the Australian public for US foreign policy in particular, and there was some evidence of spill over on alliance matters, particularly with regard to the public's apprehension of possible Australian involvement in any future Sino-American conflict in Taiwan. On the other hand, from the alliance perspective, a more positive poll was released by the Australian Strategic Policy Institute about 2½ months later. Essentially it yielded the familiar results that we are all accustomed to seeing—that is, somewhere around 80, 85 or 90 per cent support for the alliance; no surprises there—although, and this is the one statistic that was not really reported by the media analysis, almost one-quarter of the voters surveyed by the ASPI poll, the more favourable poll, indicated they did not trust the US very much. Perhaps one of the things that we could do here is discuss some of the public perceptions and public opinions in terms of American foreign policy and how that may spill over into alliance calculations.

I have derived some implications from these events. Very briefly, they are as follows. In general, the alliance remains strong and in some ways is expanding in both diplomatic and strategic contexts, but the Iraq conflict is generating implicit but nevertheless visible concern about possible alliance entrapment. Whereas I think the Australian government has handled the Iraq situation from the perspective of its own national interests very well in terms of calibrating both the extent and the timing of its involvement in Iraq, nevertheless there does remain a potential for the public to be particularly sensitive to prospects for alliance miscalculation.

There has been some evidence—not very much, but some—of concerns out of Washington after Foreign Minister Downer's observation in Beijing in August 2004 about Australia being extremely careful in involving itself in any future Taiwan contingency. There has been some evidence on the part of the US government that Australia may be attempting to split some hairs in terms of its alliance commitment. The media has picked up on this, of course. I am not here to say to you that the eventual decision to join the so-called Halibut dialogue is a landmark in alliance relations. Nevertheless, I think it is fairly clear that over the past two or three months these apprehensions have been resolved or at least modified significantly; which is to say that we are generally back on track in terms of the Americans and Australians communicating with each other on alliance commitments and so forth.

There is strong evidence that the enhanced globalist posture which this government has taken in terms of its own defence policy dovetails fairly nicely with ongoing US strategic thinking about strategic interests and strategic policy over the next 10 to 15 years. If you take a look at some of the specific aspects of the US global posture review you will find that allies such as Australia fit quite nicely into some of the scenarios that that particular view is anticipating. Obviously force interoperability and strategic intelligence collaboration proceeds apace and is a central component of alliance cooperation.

There is also some learning that has been evident in the Howard government over the past couple of years. You will remember that when the Howard government came into office in 1996



the notion of an alliance resuscitation was big. Essentially there was some feeling, at least in some parts of the new government, that there had been a tendency by the Howard government's predecessor to emphasise the region at the expense of the alliance and there was a visible effort both in terms of atmospherics as well as concrete policy to shift the emphasis back to an alliance-centric mode. But with the obvious interests that Australia continues to have in the region and those interests continuing to strengthen and grow, particularly with the China connection in terms of the trade issues, the Howard government seems to be shifting away from a distinctly American-centric strategic posture to one designed more to balance the alliance with regional political strategic interests and priorities. John Howard's speech to the Lowy Institute followed by his visit to Washington, where, in a press conference with President Bush, he went some distance I think to again reiterate Australia's interest to move towards and to sustain a balanced foreign policy posture, was a strong signal that this learning process has essentially been absorbed. Hopefully Australia will be able to cultivate strong relations in both an alliance and a regional context.

There have been some winners in terms of Australia's regional cultivation strategy: obviously Japan, due to the trilateral security dialogue process; and Indonesia, with SBY's election and visible intensification of security collaboration for counter-terrorism and other security related activities. With the advent of what might be characterised as a more moderate personality for Malaysia's Prime Minister in the aftermath of Mr Mahathir's resignation, there has been a visible softening in at least the rhetoric in Malay-Australian bilateral relations, which has led among other things to a reinvestigation of the value of the Five Power Defence Arrangements. That has also been due to the fact that some of the American proposals, such as a regional maritime surveillance arrangement, have been rejected by Indonesia and Malaysia. So now the FPDA takes on some added significance due to Australia's military capabilities perhaps being viewed as a proxy for maritime straits control.

I have some concerns about future alliance relations of Australia and the United States with the so-called non-NATO allies of South-East Asia—Thailand and the Philippines—largely due to domestic developments in those two countries. I would be happy to go into that further, if you are interested.

What then are some of the policy responses, having taken, if you will, a survey of the lay of the land in terms of alliance relations? What are some of the areas where I, as a concerned independent observer of alliance politics, would like to see the alliance go? First, I endorse Ron Huiskens's three alliance management principles cited on page 12 of your issues paper. I think he addresses particularly well the issue of alliance loyalty and how to manage that—how to strike a balance, if you will, between maintaining independent Australian security interests while at the same time making the American alliance work for Australia more effectively.

Secondly, I want to spend a minute of your inquiry on your issues paper where at page 15 you talk about needing to increase public knowledge of the value of the US alliance. A pollster would take a look at that particular wording and say: 'This is a loaded question. Maybe the alliance is not of as much value as that particular question might imply.' I happen to think it is, but one thing I would like to argue is that there seems to be a lack of an identifiable middle ground in alliance politics, advocacy or analysis in Australia. The topic of alliance politics in this country tends to polarise rather than facilitate bipartisan or national unity.

I took a look at all 22 of the submissions to this committee, and they were all over the map. You had submissions from various interest groups—medical people, peace groups and so forth—from veterans groups, and from the Australian Defence Association. All were pretty predictable in what their views were going to be. Only a few, including a submission which I had the privilege of co-authoring with an individual who now happens to be one of your own—Professor Trood, now Senator Trood—along with three or four other submissions, attempt to take a middle ground by not advocating a particular position but attempting to look at the alliance in terms of both its strengths and weaknesses relative to how good policy formulation, which addresses this country's national interests, might look.

That is a pretty boring approach, and it does not sell too many newspaper copies. The media tend to like to latch on to particular issues where they can generate a bit of controversy and look for the immediate story rather than abstract, less enticing geopolitical assessments. But I think more of the latter is definitely needed, and I commend this committee for initiating that type of process.

We need to get away from the tendency to link alliance politics with such political issues as the defence of Australia crowd versus globalists, pro-defence interest groups versus peace advocates or how the defence industrial sector is going to benefit from various aspects of alliance collaboration. It is all interesting stuff but, at the end of the day, you really have to dig a little deeper for the core national interest in talking about where the mid- to long-term benefits to Australian national security really are in the conduct of alliance politics, whether with the United States or with the conduct of security relations within the region. The think tanks have tried to do this over the last couple of years but, as you may know, I reviewed ASPI last year and came to somewhat the same conclusion that everyone else has drawn, which is that it is very hard to be an independent analyst when your paymaster is essentially the group you are trying to advise and critique—the defence department.

I am a bit disappointed with the Lowy Institute. I thought they got off to a really good start in talking about some important security issues, but I think that over the past year or so they have branched out, perhaps predictably, given their background in international political economics, soft security issues such as human rights, pandemics and democratisation—not too much hard analysis, really, with the exception of Alan Dupont's work, on alliance politics or geopolitics per se.

What I would like to stress most is the tertiary sector, because that is where I am from. I have to say that I have been very disappointed in the visible lack of research funding support for alliance politics related questions within the tertiary community, and I single out, in particular, the Australian Research Council. A major proposal was put in last year called 'the security of Australia', which had a major alliance component. It was ranked in the bottom 25 per cent quartile in national significance, which to me is an astounding judgment. Of course, to some extent, we academics are invested with asking hypothetical questions. But it seems to me time and time again that the alliance studies and strategic studies approach at tertiary institutions takes a back seat relative to better funded categories such as peace studies and international relations theory, which involve so-called critical studies that start out essentially with an inherent bias against policy studies and, more directly, against studies which may entail national security studies or alliance studies.

So there has to be some type of reversal in this or you are going to have younger generations coming out that essentially will have no real affinity with the value of understanding alliance politics. Whether they support it or not is a different question, but they need an understanding of the geopolitical dynamics that underwrite Australian national interests. I guess I am here conveying to you an appeal. Please take a look at the questions you asked on page 15. I do not know whether you have had other witnesses who have addressed this, but there is a crying need in our tertiary sector to get these types of studies back on track within our university system. There have been a few modest initiatives, which I have outlined on page 4 for you, but we are doing this by the seat of our pants; there is no real funding for these. Essentially some people are giving a lot of their time to try to reintroduce some classical security studies into our curricula as well as to bridge to the policy community, but it is not easy. I will stop here. I hope that this has been useful to you.

**CHAIR**—It has been very interesting, Professor; thank you very much. I will now open the hearing to questions. The first question is to do with one of the major points that you outlined in your address—point 3, Australia’s decision to sign the Treaty of Amity and Cooperation, the TAC, in mid-July. This represents a shift from the Howard government’s previous posture that TAC affiliation could compromise ANZUS. Would you like to expand on how you would see ANZUS being compromised by the very fact that we have signed that cooperation agreement?

**Prof. Tow**—That is an excellent question. This was a constantly evolving plot over the past six or eight months. I think there was a reasonable concern initially held by Mr Howard, in particular—I think perhaps Mr Downer was somewhat less concerned—about the inherent conflict in supporting an American posture of pre-emption against concentrations of terrorists in regional locations and the need to perhaps take out those types of concentrations if the intelligence were sufficiently reliable that they were about to precipitate an attack on Australian interests either within the region or, alternatively but much less likely, on Australian soil. As you would know, the Treaty of Amity and Cooperation among other things has some fairly strong clauses about noninterference in internal affairs, respect of sovereignty and so forth. So that was one problem: how you rectify, if you will, the doctrinal approaches towards the pre-emption orientation if that was in fact an alliance postulate with the principles of noninterference which are embodied in the TAC.

Several things happened. The first was there that has been a clear modification of the pre-emption doctrine in Washington over the last year, given the negative experiences of the occupation of Iraq by the coalition of the willing. Second, some specific formulas were conveyed to Australia, particularly by South Korea but also by Japan, whereby there could be written understandings exchanged between Australia and ASEAN that would guarantee that adherence to the TAC would not compromise alliance responsibilities. If you read Paul Kelly’s article which appeared in the *Australian* on 6 August 2005, he very comprehensively and I think correctly outlines this process of evolution, whereby there was a softening of Australian concern about this initial conflict of interest problem. So, in fact, when Australia goes before the East Asian summit in December, it will do so adhering to the TAC but with the understandings that ASEAN has given Australia, the deference in terms of its ANZUS treaty obligations.

The only other possible complication is that ASEAN has a South-East Asian nuclear free zone. As you know, United States forces still operate there, with the United States Navy in particular operating on a ‘neither confirm nor deny’ principle. Nevertheless, ASEAN has allowed US naval

forces to transverse South-East Asian waters. There is an unresolved technicality here, which is that ASEAN reserves the right to apply the non-nuclear stipulations to the continental shelves of its territory, which are 200 nautical miles from shore. What constitutes free passage in terms of US naval elements? To date, I think the way that is going is the same way it has gone with Japan's three non-nuclear principles, which is, 'If you don't ask us or press us about it, then we're not going to ask you.' That is called the Japanese solution of non-nuclear politics.

So I am pretty encouraged that a good precedent has been established in terms of the Australians and ASEAN working out their different perspectives. I think ASEAN has shown its capacity to essentially respect and defer to Australia alliance interests here and, at the same time, Australia has obviously gone the extra mile to ensure that it is going to be able to participate in what is a very important regional security initiative but in such a way that it still protects its prerogatives in terms of its own national security posture.

**Senator FERGUSON**—We might wish we had allowed a couple of hours to talk to you, I think, because you have raised a number of pretty significant issues. One of the reasons behind the inquiry was that sometimes in longstanding relationships some complacency can develop, just allowing things to go with the flow. You have raised a number of issues which I think are important in what we have heard from people who have given us evidence and also when we went to the States. Since we started, there has been that upgrade in intelligence capacity, which we are all very well aware of. You raised the issue of awareness on page 15 of your submission, talking about the knowledge of the community of the alliance and whether people think that we are just friends or allies. There are two different schools of thought.

One of the things we were told was that there are only five tertiary institutions in Australia which offer either graduate or postgraduate courses in US studies, compared to the number that are offering Chinese studies or all of the others. I want you to comment on that to start with.

You also talk about the alliance entrapment. I think most of us are of the view, having been through Pacific Command and Central Command, that Pacific Command is going to become far more important in the future because of China, because of Korea, because of the Taiwan Strait and because of India and the Philippines, but the one area that they seemed to have no focus on at all was Indonesia. It was almost as though Indonesia did not exist. Everywhere we asked, particularly amongst congressmen and senators over there, Indonesia was not even on their radar. It is the largest Muslim country, the third-largest democratic country, and it was almost totally ignored. I would like to know whether you are conscious of a lack of concern or interest by the US.

I would also like you to comment on the Taiwan Strait. We got the distinct impression in talking to people in Washington that in fact, should there be conflict in the Taiwan Strait, they did not actually expect Australia to join with them in any conflict that might take place. Graham was there. I think that is a fair representation, don't you, Graham? Some of those we spoke to, particularly in the Pentagon, said that if something happened they did not expect that we would automatically join.

**Mr EDWARDS**—Although I think it was pointed out to them that it is part of the alliance, in theory, that we are in.

**Senator FERGUSON**—Yes, but they gave the clear impression that they were not expecting us to be part of it. I know I have raised a lot of things there—that is why I said we could spend hours—but I wonder if you could comment on some of them.

**Prof. Tow**—Okay, we will start with the last and work back. On Taiwan, I think the basic concern that the Americans have about the Australians and Taiwan is not so much the commitment of physical or material assets if there were to be a contingency but rather that Australia be circumspect and delicately sensitive to the American policy of strategic ambiguity. That is to say that the Americans, I think, are still comfortable with the formula that, with the One China posture, which they adhere to, the ultimate solution to Taiwan has to be political, not a confrontation. They do not like the Chinese short-range ballistic missiles being deployed, lickety-split, in Fujian. But, that said, they are encouraged that various political elements in Taiwan—the opposition parties, Kuomintang and so forth—are now upgrading dialogue, on an informal basis at least. In fact, I think the Americans would be quite happy to see the cross-strait talks start up again. They were discontinued several years ago, but, as Churchill once said, it is far better to ‘jaw-jaw than to war-war’.

But I think the Americans were concerned about Mr Downer’s comments in Beijing in August, and so perhaps had an initial reluctance to enter into some dialogue situations—Halibut and so forth—because they put a premium on alliance loyalty and do not like the prospect of Australia coming out and beginning to demarcate caveats to hypothetical situations. That is not going to be a commodity of alliance loyalty, which I think the American policy makers have expected of Australia, in the Bush administration at least.

I understand the logic coming from the other side. Occasionally we have to express our independence from the United States in order to be a good ally. These are, I think, not extraordinary tensions; they are tensions which emerge commonly in alliance relations. If you take a look at the history of the so-called special relationship between the United States and the UK back in the 1950s and early sixties leading up to the Nassau Agreement, you see that there were all sorts of tensions. Politicians on both sides were constantly upping the ante in terms of the question, ‘How do we treat the special relationship?’

But at the end of the day, both the Americans and Australians understand that if there were to be a Taiwan contingency, the Australians would be as supportive as possible in the most constructive way without attempting to aggravate what would already be a very difficult situation. I think the Americans, if a Taiwan contingency were unfortunately to occur, would be looking for the Australians to upgrade, say, patrolling duties in other areas of the region in lieu of US military assets that would be shifted to manage a Taiwan contingency. I do not think they would be looking for Collins submarines to go up and interdict in the East China Sea, despite the speculations of Mr Toohey and a few of the other journalists. To the contrary, I do not think they would be expecting SAS forces to be parachuted into the streets of Kaohsiung. It is out of our purview.

Australian support takes the form of (a) support for US postures towards Taiwan designed to continue to buy time until such a time that a diplomatic solution can be worked out and (b) ensuring that Australia works and communicates with the United States constantly about the situation. For the most part that is happening. I do not see a real problem with Taiwan.

Indonesia is complicated, because the Americans take a far more normative or value oriented approach towards Indonesia than perhaps we do. By that I mean that congress tends to impose human rights criteria and conditions as a barometer of whether or not it is going to deal with the Indonesian military in, for example, the International Military Education Training program. It has always been an on and off process. That attitude has softened under the new presidency of SBY. To understand the American thinking about Indonesia relative to Australia, you might want to go back to the initial testimony of Colin Powell during his confirmation hearing early in 2001, where essentially he said: 'At the end of the day, Australia has a better feel for this place than do we. It is in your immediate neighbourhood. You have always had better intelligence. You have always had better knowledge about the place. This is an area where the United States really will defer in many ways to Australia's lead in terms of advising us how to deal with Indonesia.'

It does not work in terms of just rhetoric; it also works in terms of policy practice. For example, during the financial crisis of 1997-98, Treasurer Costello went to Washington and negotiated a modification of IMF conditions to assist the Indonesians in getting themselves back on their feet. That trip was highly respected by the Americans. Costello came well prepared and essentially convinced the Americans that it would be in the long-term interests of everyone if IMF regulations were loosened to some extent to help the Indonesians get back on their feet. That is, I think, the type of behaviour that the Americans expect from the Australians in terms of providing America with guidance on Indonesia policy.

I have one other point on Indonesia. There are some people in the United States who are actually quite well versed and concerned about Indonesia. Paul Wolfowitz is one of them, even though he is now the head of the World Bank. He still gets around the traps in Washington and, at every opportunity that presents, he continues to impress upon his counterparts in Washington the importance of Indonesia. I would not be quite as perhaps despairing that the US has no interest in it. I do think, however—and here your point is extremely valid—that there needs to be more of a visible spill over between the civilian policy planning aspects in Washington towards Indonesia and the military. I do not see a whole lot of understanding in the American military structure, so in that sense I think you are absolutely correct.

We have got through Taiwan and Indonesia—in terms of tertiary studies, American studies frankly do not generate the enrolments. Tertiary institutions today run like corporations. If there are more bodies on seats then you will survive. If you do not get undergraduate enrolments, you are hurting. Then it is very difficult to justify to a pro vice-chancellor why your particular curriculum or program should survive. Coming from the liberal arts education background in the United States I personally find that a bit deplorable. But, increasingly, universities are taking their cue from the government and run on the basis that they are going to be self operating. That being the case, students take a look at the social sciences and humanities and say, 'Where's the job?' It is not as self-evident as it is going after an MBA, IT or some of the other areas where there are large enrolments in tertiary education. I think that is a tragedy because, in fact, that produces a very narrow-thinking coterie of younger generations who are being deprived of the broader perspective which the humanities and social sciences provide. But this is a problem which I think probably should be directed to Mr Nelson as to this particular committee. I would be happy to come back to tertiary studies—I suspect somebody else may want to raise it—because I am deeply concerned about the imprimatur and legitimacy of strategic studies in university systems; it is just not there. I would be happy to come back to that later, if you would like.

**Mr EDWARDS**—I want to follow on from the question that Senator Ferguson asked. It has been suggested to us that there are polarised views about China. Some people see China as the prize, others as a great threat. Of course, Australia is falling over itself to sell energy, other resources and anything else it can to China. However, in the United States there is a clear view expressed to us in many different forums that the Chinese are coming. An example of that was given in relation to Vietnam where the Americans have just had the 10th anniversary of their re-interest in Vietnam. They are now starting to ratchet that relationship up. They explained to us that they see Vietnam as being the key to Laos's and Cambodia's attitude to some sort of a buffer around China. I must say I find that most ironic. It is like the domino theory in reverse. But because there is such a different attitude between America and China as compared with Australia and China, I suspect that there will be some influences brought to bear on Australia to be a bit cautious about our attitude to China. Do you think that is a possibility? If it is, how do you think that would manifest?

**Prof. Tow**—I do not think it is as much of a possibility now as it was one or two years ago—that is to say, I do not think that the Americans are going to be as inclined to pressure Australia to tailor or to draw parameters around its relationship with China. There are a couple of reasons for this. First, despite press speculation to the contrary, there is a modification of the neoconservative influence in the US foreign policy making community. For all her closeness to President Bush and her survival skills, Condoleezza Rice is not a neoconservative-oriented individual; she is a pragmatist to the core. She is very capable of understanding and assimilating the idea that countries within this particular region have to pursue their own relations with China, as long as such relations do not directly compromise the national security interests of the United States.

I am personally more optimistic that we are going to see less pressure from the United States towards Australia for the remainder of this administration. Secondly, the personal relationship between the Prime Minister and the President is such that Mr Howard has been able to effectively convey to President Bush the context of Australian economic and security relations with the Chinese. By security relations with the Chinese, Mr Howard is not talking about anything in terms of alliance politics or coalition politics; he is talking about Australia working with China within a broader regional framework to move towards the development and strengthening of regional security mechanisms, particularly at the multilateral level through perhaps the East Asian summit, if there is a security mode that develops from that, confidence building measures, preventive diplomacy and comprehensive security.

I do not think that John Howard believes that there is a security community in the region around the corner any time soon. He has been able to convey successfully to Bush and to other key American policymakers that Australia can play the role of a pragmatic multilateralist very effectively in this region, and it is within that particular context that the Sino-Australian relationship should be understood in security terms.

There is one potential area, of course, and that is uranium sales. There Australia has yet to come to terms with its own policy. The Chinese have apparently taken a pretty hard line initially on whether they are going to comply with the IAEA standards of verification of materials. The Indians, interestingly enough, have complied with those standards in their recent nuclear agreement with United States. I suspect that, at the end of the day, the Chinese will come to the

party on that. Overall I do not see the drama in this Sino-Australian-US triad to the same extent that perhaps some of the press speculation has suggested.

**Mr EDWARDS**—I certainly appreciate the work that you have put into our terms of reference and the information you have put before the committee. You said to us earlier—and this to some degree relates to the alliance entrapment question—that you tended to agree with Coral Bell in her latest book where she indicated that the US pre-emption doctrine may now be dying a quiet death, in which case the notion of an alliance engagement problem is probably less than it might otherwise have been.

**Prof. Tow**—Alliance engagement or alliance entrapment?

**Mr EDWARDS**—Entrapment.

**Prof. Tow**—Yes.

**Mr EDWARDS**—Since then, have your views changed? Do you have the same view, given what has happened in Iraq? Could you also comment on whether or not you can foresee a change in internal politics in America following Katrina and whether that might impact on America's continuing involvement in Iraq?

**Prof. Tow**—Great questions. You remind me of one of my old professors when I was a student in terms of giving out the toughest essay questions. I will do my best.

**Mr EDWARDS**—Thanks.

**Prof. Tow**—I do not see alliance entrapment being a central concern of the relationship at this juncture. So I will stand by my earlier statement in supporting Coral. I think Mr Howard is being quite selective in terms of where he feels there are specific niches that Australia can continue to operate in in the international counter-terrorism effort. Dispatching the troops to Afghanistan is part of that, because of the elections coming up on 18 September and also because the SAS have certain talents and capabilities that I suspect exceed those of their American counterparts. That 16 SEALs were shot down in Afghanistan was an eye-opener to many people in the States. I have talked to some of my American counterparts—not within government—about having an SAS type contingent there. There is speculation that that is a place where Australia really can make a difference due to some of the capabilities of the SAS.

**Mr EDWARDS**—Everywhere we went in America, people said to us that it was simply bad luck.

**Prof. Tow**—It could be, but I will bet you that no-one you ran into in America said, 'We don't appreciate the SAS and we don't want them there.'

**Mr EDWARDS**—Absolutely.

**Prof. Tow**—So here is a niche where, with relatively moderate risk for a specified time frame—at a critical time frame, with the elections coming up—the Howard government says, 'I can make a symbolic and practical contribution to an international counter-terrorism effort which



is pretty much accepted across the board.' Afghanistan does not have the controversy that Iraq has. Why is there no alliance entrapment in Iraq? I think that, to a large extent, with the Japanese election coming up on 11 September, even if Koizumi were to get back in, there would obviously be a calibration on behalf of the Japanese government in terms of how long those engineers are going to stay. Once that mission is no longer evident, it provides a fairly good vehicle for the Australians to discontinue their particular mission but at the same time look for other niches. So I think niche capabilities and niche opportunities are how you understand the Australian strategy to avoid alliance entrapment. Australia is in control in that sense. But it is in control in a way that is perceived as useful to the Americans. That is the important distinction.

**Mr EDWARDS**—Could you talk about Hurricane Katrina and the domestic situation.

**Prof. Tow**—It is too soon to tell. Senator Scott—I am sorry; I mean Mr Scott—

**Mr EDWARDS**—He is a worker, like me.

**Prof. Tow**—He looks as dignified as any senator.

**Mr SNOWDON**—That is a worry. You need to understand that the Senate is the B grade and the House of Representatives is the A grade.

**Prof. Tow**—I see. Moving right along. I think the Americans have to get their own organisational infrastructure sorted out. It is clear there is a problem with the Department of Homeland Security not talking to the state and local officials or functioning or communicating very effectively. I think they are the fundamental problems. For Australia to get itself into that prior to the Americans getting their own house straightened out would be a mistake.

**Mr EDWARDS**—What I was really asking was whether you thought that might force a change in political attitudes to America's involvement in Iraq and whether it might have an impact there.

**Prof. Tow**—I think it well could. I think it is going to generate increased pressure for President Bush to sustain the levels of military commitment to Iraq. The Democrats are clearly going to play to that politically at the next American presidential election. The bellwether of that is going to be how well the Democrats do in the November 2006 congressional elections. If they are able to convert that issue into political mileage then they will run with it all the way to the 2008 presidential election. But if we find that there is a lot of rhetoric and, at the end of the day, not much mileage or substance then Bush will be more inclined to continue to adhere to geopolitical reasoning for sustaining the commitment in Iraq. Again, I think it is too soon to tell. But the potential for greater pressure on Bush to sustain the levels of commitment that he currently does will intensify somewhat, at least over the short term.

**Senator SCULLION**—My question relates to supplementaries for almost all the questions this morning. In my mind, ironically, the tension from Katrina was almost a saviour, in some ways, given the political heat that would have been on in the next few weeks about America's involvement in Iraq had that not happened. Obviously it would have had a geometric rate of progression. I think that has made many Australians think about the exit strategy from Iraq. In your submission you talked about the potential increase in tension between the Koreans and that

hypothetical circumstance, and this morning you gave evidence in regard to the potential in Taiwan and those sorts of tensions. I guess less hypothetically would be the potential for Australia to have an independent exit strategy from Iraq as opposed to the coalition strategy. Could you talk about some of those tensions and the potential impact on the Australian-American relationship?

**Prof. Tow**—I am not sure how much tension there still is in terms of the Australian involvement in Iraq. The reason I say that is, apart from the contingent of 450 troops guarding the Japanese, I do not think there is really that much of an Australian physical presence still in Iraq—at least not to the levels of when they first went in. I reiterate the point that this government has been quite adroit in calibrating its level of involvement and also in shaping the context of its involvement towards functional tasks, essentially to stabilise what is an unhealthy political system, rather than strategic tasks. At the same time we reserve the right to continue to assess the situation, this despite the public rhetoric of the Howard government that they will stay there until the job is done. That is all well and good, but if you take a look at what we are actually doing as opposed to what we are saying, the two are not totally synonymous. I think that is what I would like to call your attention to.

**Mr WILKIE**—My question is totally different. It is to do with the politics of the arrangement of the relationship between us and the United States and the parliament's ability to scrutinise those sorts of relationships. Obviously, we have talked about how Australia is developing greater ties with the US in respect of intelligent sharing and joint operations et cetera. I am interested in your views as to what level of parliamentary scrutiny these relationships should have and, if there were greater scrutiny by the parliament, what the impact on the relationship may be. To put it into perspective, for example, with Pine Gap the United States congress have access to the facilities and what goes on there. They can visit, gain information and make recommendations to the parliament whereas Australia's parliament does not have any such access whatsoever. Has the relationship matured to the point where our parliament could have access to sensitive information that is available to the US congress so that we can assess some of these relationships more deeply?

**Prof. Tow**—The recent upgrading of the intelligence relationship might provide the type of opening for that. But I think it is going to have to be very carefully negotiated and defined—that is to say, there is always this latent and somewhat tense issue of sovereign prerogatives. It is not just Australia; it is with virtually every US ally. Indeed, Australia's situation is quite smooth relative to, say, the US-South Korea situation where there has been a tremendous amount of negotiations for status of forces and other aspects of sovereign issue. But, directly speaking, if in fact our intelligence collaboration is now getting to the point where Australia is really in the top two or three, that would seem to create a justification for at least exploring the broadening of access to parliamentarians and others.

**Mr WILKIE**—To put that into perspective, Pine Gap was an United States facility on Australian soil, which was fine; it was entirely within the realm of the US. But now it is a joint facility on Australian soil so, I am thinking that, if it is a joint facility with shared information, should that information sharing extend to the parliament as well?

**Prof. Tow**—I think it is very justifiable to explore the issue.

**Mr SNOWDON**—Perhaps I can just enlighten Kim on a couple of things. I approached the state department two years ago about Pine Gap when I was in Washington, and explained the differential treatment. The state department said, ‘Well, that is bizarre.’ It was not an issue for them. Subsequently, we have had a briefing and a visitor briefing at Pine Gap—

**Mr WILKIE**—What, by the committee?

**Mr SNOWDON**—but it is a first, and I understand that we got a similar sort of briefing, not necessarily the same as would have been given and is being given on an ongoing basis to US congresspeople. That is a security briefing, not an intelligence briefing, and that was fine. We have subsequently had briefings on other intelligence related activity.

I want to go back to the public education issue. You talked this morning about the issue of entrapment. First, I will go to the Lowy Institute’s findings, which go to the issue of entrapment. I would see a number of words which are used, particularly ‘alliance loyalty’ as describing ‘subservience’ in many of the Australian public’s minds. As a result, ‘subservience’ means ‘cynicism’ and ‘cynicism’ means ‘contrary view’. So we get to a point where the community is very suspicious of having what they may describe as Australian policy being driven by Washington, and decisions taken out of the Australian public’s hands through decisions taken by Washington. I think you have highlighted that by your reference to the way in which the neocons have changed their attitudes and perhaps, subsequently, Australian acceptance of the TAC.

There are two issues here. One is the education of the public community and a better understanding of how decisions are made. Does that lead to a question about the nature of Australian journalism? You mentioned Paul Kelly, and obviously there are Hartcher and a number of others. But, by and large, Australian journalists are grossly misinformed about foreign policy, strategic policy, strategic diplomacy and those security type issues. How might we address that, and do we address it through the mechanisms of public education at universities or do we have to start getting corporate leaders more responsible in their attitudes towards educating their own staff?

**Prof. Tow**—‘All of the above’ would be my short-term answer on the second question; which is to say, I think the government has to work with the private sector to pursue what is frankly an altruistic, rather than politically motivated, objective of raising the sophistication of understanding of people within the universities as well as people in the public at large on issues which are going to be extremely central to the future stability and prosperity of this country.

When you talk about balancing the region versus balancing your key ally of the US as a trading partner, this is critical stuff. The problem is that it also seems to come across in many ways to the younger generation as abstract stuff. The young undergraduates that I talk to are of two minds. On one hand they have the romantic notions, they all want to work for DFAT. Why? Because that is where the action is. If they only knew! On the other hand, when you start attempting to convey to them some of the subtleties, nuances and inherent contradictions within the policy formulation process, their eyes begin glazing over. Why? Because they watch TV, they go to the net and they do not read very much anymore at the undergraduate level. I am not talking about all of them, but I am talking about an increasing percentage.

The question is: how do you get these folks in universities jazzed for what otherwise could be pretty dry subjects? Frankly, one of the ways we do it is to bring in people who are in the policy-making sector. I realise they are extremely busy, but this is an investment in the legitimacy of this country's future policy-making process and provides support for that process. You have to make the investment; you have to go out and talk to them. And that is a reciprocal type of process because the academics have to take responsibility for getting the policy makers into classrooms and the policy-making community has to be receptive to it.

In many cases the problem is: who is paying for it? Again, I come back to my earlier point that the mechanisms that have been promoted by DEST—the Australian Research Council and others—have just not done it. They do not have that orientation. They are into pure research. I am not going to go down Minister Nelson's route and start castigating individuals for research projects about social tendencies of genders in the sixteenth century, but what I am going to do is say that, when we have such critical problems in terms of where we are going, there have to be some conduits built in to get this process under way.

I know we are getting very short of time but I will make one other point, since you have raised it. There is something I think we can do more effectively here. You went to Washington to congress, and you were amazed at the lack of attention span. That is because they have 150,000 different lobbyists whom they have to contend with over any given week or month. Get the people out here. How do you do that? You use the good offices of the office of public affairs of the United States embassy. They will be more than happy to pay for alliance proponents, alliance critics or other people to come out here. When you have got them out here, their attention span is not with those 150,000 lobbyists. They will be thinking, 'I want to find out about this cute place that Paul Hogan keeps talking about on the Australian tourist ads in Los Angeles and New York.' And then you will have them.

You will need to be clever in terms of slotting them into different policy briefings, giving them Australia's point of view and, as importantly, conveying to them a sense of goodwill and sustained mutual values. That is the stuff of an alliance, in the final analysis. If you do not have the underlying values, as Mr Bevan pointed out in his Atlantic speech back in 1948, then your alliance is not going to be sustained anyway, particularly in a post Cold War context where threats are more amorphous and alliance general purposes are more elusive. So fund this stuff. Fund it within the universities. Fund it in terms of getting the people you want to target here to tell them your story.

**CHAIR**—Professor Tow, thank you very much. I think we could still have been here at sundown tonight. You have been very interesting, and that is reflected in the number of questions we have asked and the interest that there is in your presentation. We have gone about 25 minutes over time, but we really have a great deal of interest in what you have had to say. We appreciate the presentation and also the extra documents that you brought to us.

[10.39 am]

**GRIGSON, Mr Paul John, First Assistant Secretary, South and South-East Asia Division, Department of Foreign Affairs and Trade**

**MAUDE, Mr Richard Alaric, Assistant Secretary, Americas Branch, Department of Foreign Affairs and Trade**

**NEWMAN, Mr Jeremy, First Assistant Secretary, Americas and Europe Division, Department of Foreign Affairs and Trade**

**STUART, Mr David, First Assistant Secretary, International Security Division, Department of Foreign Affairs and Trade**

**ACTING CHAIR (Senator Ferguson)**—I invite you to make an opening statement, after which we will proceed to questions.

**Mr Maude**—We have no opening statement.

**ACTING CHAIR**—If that is the case, we will go straight to questions. Since we first heard from departmental officials at the beginning of the inquiry, a lot of water has flowed under the bridge. It has been a long inquiry. Some of the issues that were raised by Professor Tow include some of the developments that have happened in the 18 months since we first began the inquiry, and responses to the issues paper. For those of us who went to the States, there was a feeling that, at a senior level—in other words, senior defence officials and senior departmental officials—there was a very close understanding of the extent of the role that Australians are playing in the alliance and the value of the efforts of, particularly, our defence personnel.

But once we got to people who are not as closely involved—in other words, congressmen and senators—their understanding of our relationship and the alliance was pretty poor, to put it mildly. They looked on us as friends—I am not sure they knew why, in some cases; it was just a fact. But when it came to the real work that Australians were doing cooperatively with the United States, I think there was a pretty low level of understanding. I would like your comments as to whether, in your role as departmental officials, there are other ways that we can make the alliance more understandable, by Australians as well.

**Mr Newman**—I think the issue as you have described it is true. There are senior members in the US defence department and senior people across the administration who I think have a very close appreciation of the value of the alliance. They have had day-to-day dealings with Australia on a number of issues over the years and recently of course in Iraq and Afghanistan with the war on terrorism and other issues like that.

With congress we always have more of a battle to get attention, but I think over the recent years we have done quite a lot more with congress, particularly over the negotiation of the Australia-US free trade agreement. We made a very deliberate effort to bring out not just congressional staffers to Australia but also members of congress who would be influential and to

give them a first-hand knowledge and appreciation of Australia. So I think we have made gains over recent years in increasing awareness of Australia amongst congressmen but we cannot relax on that. We need to keep a strong focus.

We are trying to bring out delegations of either staffers or congressmen, across a range of areas of interest to us, in areas where we want to influence them, such as the US Farm Bill and others. In all those visits, they will all receive a very strong briefing on the nature of the alliance. This is one thing that I know from speaking to the US embassy. They always put a very large emphasis on briefing those visiting delegations. They say that they often find that the visitors are surprised by the extent of the value of the alliance relationship to the United States and the extent of cooperation. So it is an issue that we work on.

**Mr Maude**—I will add a little detail about the congressional delegations that Mr Newman mentioned we were bringing out. In fact, there have been 15 bipartisan staff delegations over the past couple of years that we have invited and brought out jointly with the Australian American Association. Those groups have included about eight to 10 or 12 staffers from a range of influential committees, and staff of key congressmen and women. The majority of those delegations were focused strongly around the free trade agreement, but, as Mr Newman has said, there was a security alliance component in each part of the visit, and an attempt was made in those visits to get the staffers to be much more familiar with Australia as a nation and the broad range of our interests. We were rather unashamedly trying to get them to fall in love with Australia and go back and be influential advocates for Australia on matters of interest to us. It is hard to measure in a quantitative way the success of those visits, but we have found them, we think, to be very successful. The staffers have gone back very enthusiastic about Australia, seized of the particular policy issues we wanted to impress upon them, and we have found that we have kept in good contact with a lot of them.

We have also had a number of congressional member or senator delegations come out—a smaller number because they are always harder to get, but nonetheless we have had three or four over the past couple of years that we have invited out. Again, there has been a range of interests but with the same aim in mind to enhance the understanding of Australia in the US congress.

**ACTING CHAIR**—Often for two days and gone again.

**Mr Maude**—They are always short. That, I think, is hard to get around.

**Mr SNOWDON**—Did we meet them? I cannot recall one occasion when we have been invited to attend a meeting of congressional delegations invited by DFAT.

**Mr Maude**—I do not recall. We can have a look at the programs and be more specific.

**CHAIR**—Thanks.

**Mr Maude**—There have been a number who have come out under their own steam, of course.

**Senator FERGUSON**—We have met with individuals.

**CHAIR**—They have been very good.

**Mr Maude**—The most recent one we invited out was Congressman Sensenbrenner, who was Chairman of the United States House of Representatives Committee on the Judiciary. He saw the Prime Minister and a range of ministers.

**Senator FERGUSON**—We met with him.

**Mr Maude**—There is at least one example.

**Mr EDWARDS**—Who is ‘we’?

**Senator FERGUSON**—One of us met with him.

**Mr SNOWDON**—The committee, I think.

**Senator FERGUSON**—I do not know who was here but he met with the committee in one of these rooms.

**CHAIR**—What committee?

**Mr Newman**—We will check that for the record.

**Mr SNOWDON**—In any event, I think the point is made that we believe—I certainly believe—that, when these delegations or individuals are sponsored by the government, they should automatically come to this committee.

**Mr Maude**—We could take that point. I will add that we do have a congressional liaison office in our embassy in Washington. They are, of course, very active in day-to-day advocacy of Australia’s interests in congress.

**Mr SNOWDON**—How many people do we have in it? I have met some of those guys, and I think they are fantastic. I just wonder how many we have, given the nature of Capitol Hill.

**Mr Maude**—I want to take the exact number on notice, but it is approximately four to five.

**Mr SNOWDON**—That is probably insufficient. If you are doing a lobbying exercise as a commercial lobbyist you do not—

**Mr Maude**—It would always be nice to have more, but it is an expensive operation to run.

**Mr SNOWDON**—I appreciate that. I just want to make the point that I think that they do a good job. I am not questioning the work but I think they do a fantastic job. I would have thought that, if we augmented their number by a factor of two or three, we would get a better outcome.

**CHAIR**—We can always look at that with the committee in our recommendations.

**Mr SNOWDON**—That is why I am raising this right now.

**CHAIR**—We might continue on about it until we get to questions.

**Mr Maude**—I will conclude my remarks there.

**Senator FERGUSON**—Although we are looking at the defence relationship, it is almost impossible to divorce a defence alliance from foreign policy and foreign policy matters. That was why I asked Professor Tow, prior to your getting here, about the issue of the lack of recognition or understanding or even concentration by the Americans on the issues relating to Indonesia. His view was that the Americans say, ‘Look, you are closer to Indonesia than we are; we rely on you to cultivate that relationship.’ But when we visited Pacific Command a couple of months ago they only talked about the emergence of China, the emergence of India, the Taiwan Strait, North Korea, the Korean Peninsula—they talked about everything in their command area except Indonesia.

We highlighted as much as we could when we were in Washington the importance of Indonesia. They talk about their global war on terror. Here we have the largest Muslim country in the world, the third largest democracy in the world, and yet most of their congressmen and senators were totally switched off. And I have to say that the impression we got was also that their defence forces at Pacific Command scarcely raised the issue of Indonesia either. So I am just wondering whether you in the department are concerned about that or whether you think the role that we should be playing in this alliance is to keep the United States informed, that we should play the role of the advocate to the United States for Indonesia in supplying information. Are you surprised that Indonesia is so low on their list of priorities, and how do you think it should be handled?

**Mr Maude**—I might ask Mr Grigson to comment in some detail. As an opening comment, I do not think we would share the perception that in the administration at least, including in Pacific Command, they are switched off on Indonesia.

**Senator FERGUSON**—Perhaps switched off was a harsh term. They did not seem to give it as high a priority as everything else.

**Mr Maude**—We would say that the administration is actually very focused on Indonesia. President Bush hosted President Yudhoyono to a high-level visit some months back. The United States and Indonesia work very closely and cooperatively together on a range of issues, including in particular counter-terrorism. But Mr Grigson may have some additional comments.

**Mr Grigson**—I would support what Richard has said. I think the US involvement in Indonesia is very broad and substantial. They work with the Indonesians cooperatively on a whole range of issues: counter-terrorism, general policing and law enforcement. Humanitarian assistance programs are large. They are major supporters of Indonesia’s transition to democracy. It is true to say that they come to us for information, but we swap notes. They have a very large operation there too and are very well linked in. So I would not characterise the understanding of Indonesia—certainly, as Richard said, in the administration—as being anything other than broad and quite positive.

We take opportunities to say to our significant partners, and that includes the US, that Indonesia is a country of significant strategic weight and that people need to continue to focus on



it. The Americans take that up where they can. The US has many issues before it and I think our advocacy on behalf of Indonesia is a positive one that is appreciated by Indonesia and well received by the Americans.

**Senator FERGUSON**—If that is the case, I would suggest that somebody in the administration tell people like Senator Lisa Murkowski, who is the chair of their Foreign Relations Subcommittee on East Asian and Pacific Affairs, who said that Indonesia was a country they had never taken any interest in and they had never discussed, that it had never been part of any of their discussions. If it is so high on the priority or the agenda of the administration I would suggest they talk to their congressmen and senators as well, because they certainly are not aware of that. Can I also say that we had to raise the issue with Pacific Command; they never raised it.

**Mr Grigson**—All I can say is that we have a consul-general who talks to Pacific Command in Hawaii continually about Indonesia, and the feedback we get is always positive. They focus on Indonesia to the extent they can with their many priorities and they are usually well informed.

**Mr WILKIE**—It appears that the Bush administration would like to see Australia gain more access to the US intelligence and military technology that is available but that congress may be less willing to ease the restrictions on the transfer of information and equipment. Do you think this is an accurate assessment? If so, what can we do to try and address that problem so that we can get that information released to us?

**Mr Stuart**—I recall that I provided some information on that to the committee when I appeared in March. It is a complex area and I think my colleagues from Defence can give you a fuller answer, because it is their core business to look after these issues of our access to their technology and how we are integrated with or able to take advantage of opportunities in the defence industry.

**Mr WILKIE**—I suppose the problem there would be that they would deal with the military hardware and technology side, with the defence side, but we are talking about a political issue—foreign affairs. We are talking about the issue of congress, not the military.

**Mr Stuart**—The issue in the congress has been over the previous Bush administration—the one that has just finished serving. Bush has now been re-elected. That administration had made efforts to have us exempted from one of the main pieces of legislation—the ITARs Act. There was a difference between the administration and congress about that, and that is still the case. It is an impasse. We can go on looking at options to get around that, to get the exemption, or find some alternative way of achieving the same end. But, as I say, it has largely been a matter of the US administration taking it up with congress. We do what we can to serve our interests, but it is still an impasse.

**Mr WILKIE**—What were the main problems with congress? What were the main issues?

**Mr Stuart**—I think the key driver for those in congress who take this position—and it has never been taken to a vote so I cannot tell you how extensive that position is, but certainly there are some reasonably significant figures in congress who take this view—is the concern that their export controls be as strong as possible, especially in the face of threats of terrorism and WMDs

proliferation. They feel that if they were to start making exemptions that would weaken that regime. Of course, the counterargument is that Australia would be a reliable partner.

It is not a question of whether we would misuse them; it would be a question of whether it would lead to pressure from others to afford them a similar exemption or of what would happen in third markets, such as whether an Australian company might be able to supply to a market that the US would not allow. For example, the US has restrictions on trade with Iran which Australia does not have. I cannot really say a lot more than that; there are discussions under way. We are actively pursuing our interests, but I do not think I should advertise too much what we are doing about that.

**Mr WILKIE**—So there are ongoing negotiations?

**Mr Stuart**—It is ongoing consideration of how to take it forward. The answer may not be the exemption. There may be a better alternative.

**Mr EDWARDS**—I am interested in the fact that you did not put a submission in to the committee. Given our terms of reference, and the fact that we have submissions from Defence and Industry Tourism and Resources, why was it that Foreign Affairs chose not to give us a submission?

**Mr Stuart**—We thought it was essentially core business for the defence department—we realised we would appear before the committee to provide information—because it was about defence relations with the United States. We thought the defence department put a pretty thorough submission in as well.

**Mr SNOWDON**—That somewhat amazes me. You would have been here and heard the discussion about China and Taiwan, which is pretty much an international relations issue and not just a defence issue. I would have thought that our relationship with the US, hinged as it is on international relations and not just defence, would have led you to make a submission, which would lead us to a discussion. We could ask you, for example, questions arising out of the submission we have just had about the expectation of some of the American administration, if there were some sort of conflict between Taiwan and China, that our response would be significantly benign. I share my colleague's concern, frankly, that the department did not seem to think it appropriate to put in a submission. Defence is one component, but our international relationship is a lot more than defence, and that defence relationship relies on those many other components, as you well know.

**Mr EDWARDS**—For instance, there is the role and engagement of the US in the Asia-Pacific region. That is not just limited to defence.

**Mr Newman**—No.

**Mr EDWARDS**—I would have appreciated a submission from Foreign Affairs. To move on from that, I would be very interested to see whether we could get a list of the congressmen and staffers who have been out here and when they came. One of the things that Mr Snowdon and I have been talking about, as part of our recommendations, is whether we could initiate such a program of exchange between United States congressmen and senators and Australian senators

and members. We were absolutely astounded at the lack of knowledge in relation to Australia of the congresspeople we met. One of them, for instance, did not even know that we had had an involvement in Vietnam. I find this quite concerning. I found the trip to the United States very interesting. Unfortunately, we did not get a lot of opportunity to spend time with congressmen or congresswomen—

**Senator FERGUSON**—That might have been fortunate, Graham!

**Mr EDWARDS**—or to spend much time at the congress. I think it would have been an excellent opportunity had we been able to do so, but we could not. But we certainly do want to look at some recommendation in relation to an exchange program. If we could get that information—

**Mr Newman**—Yes, absolutely; we can provide that to you.

**CHAIR**—Perhaps suggesting a program that could be utilised.

**Senator FERGUSON**—It is not just the program. I think you need to separate them into individuals who have come out here and those who have come out here as part of a group. There have been a lot of congressmen who have come out here as individuals for various things, much more than in groups.

**Mr EDWARDS**—I am talking more about those congressmen, senators and staffers who have come out as part of that program. We would like to see whether we can expand on that or at least make some recommendation to expand it and make it more of a two-way process.

**CHAIR**—Just from the point of view of understanding each other and also strengthening ANZUS as part of that process.

**Mr Maude**—We do look for ongoing opportunities to continue these visits in conjunction with other agencies that have an interest. The most recent staff delegation that came out was from some of the financial committees in the House and the Senate. That visit was particularly aimed at some policy objectives we have in the financial services area under the FTA. We are looking for further opportunities to bring out more delegations on particular policy issues.

**Mr EDWARDS**—I know that as a member of this committee I would put myself out to meet any of those people who were coming over. I would like to think that other members of our full committee would do the same. Quite frankly, I do not think we had very good access to congressmen, congresswomen and senators while we were in the States. I know it was a bit hard, but I would have liked to have had that greater access.

**Mr SNOWDON**—I will follow on from that earlier interchange about what I said about the submission. This is a public hearing. Given that there may be some issues about Australia's relationship with the United States, in terms of some of the submissions that were made earlier this morning, about which we might require a discussion with Foreign Affairs, it might well be that we need another meeting which is not public to give us some background. I know what to expect if I ask a question on some of the issues, but perhaps we could have a discussion about the issues as opposed to asking questions. You know where I am leading.

**Senator FERGUSON**—My suggestion would be that I think you could ask any questions in the public hearing if you want to, and the officials will soon tell us if they think that it should be held in camera.

**CHAIR**—Yes. We can go in camera.

**Senator FERGUSON**—I think you can ask any questions you like, and they will decide whether or not it is appropriate to answer them on a public basis.

**CHAIR**—We can go in camera here. We have 25 minutes.

**Mr SNOWDON**—I will not, because I will lead into a potential conflict with what the minister might be saying. We could end up in a discussion with the department, and I do not think that would be reasonable.

**CHAIR**—Okay.

**Senator FERGUSON**—The other issue—particularly in relation to defence more than foreign affairs; it is a defence inquiry—arose whenever we were talking to people at senior levels. For instance, when talking to the marines at Camp Pendleton, where they gave us a comprehensive briefing, the first thing that they said was, ‘We would like another brigade of your troops.’

**CHAIR**—Just a brigade!

**Senator FERGUSON**—Yes, just a brigade, which showed you the high respect that was held at the top levels for all of our soldiers or defence people who had taken part. Does Foreign Affairs have any involvement at all in the Defence department’s numbers of exchangees that go and experience exchange programs with either the United States or the British or anybody else? Does that have anything to do with the Foreign Affairs department or is it solely a Defence issue?

**Mr Stuart**—To the extent that somebody is an attached staff in a mission, it does, because the heads of mission are our responsibility. That is really something for Jeremy to go into rather than me. To the extent that there are Australian personnel in a country where you are the head of mission or accredited, you have some general duty of care responsibilities. But I think the question of decisions on which personnel undertake which assignments when they are Defence personnel are very much those within the Minister for Defence’s portfolio. I do not know if Jeremy wants to add to that?

**Mr Newman**—No. That is correct.

**Senator FERGUSON**—Do you have any influence?

**Mr Newman**—We do not determine where there would be a particular secondment.

**Mr Stuart**—Every now and again—not very often, but every now and again—an issue arises where, for a foreign policy reason, we might want some attached staff—say, a defence attache in

a particular post. We would have a view and that would work through the normal policy processes. We would either agree or disagree. To that extent we might have an input. That does not come up very often, but it does every now and again.

**Mr Newman**—But it would finally be a Defence decision. They have a quota on the number of defence attaches they can have overseas. It would have to fit into that.

**Mr SNOWDON**—Does that apply to policing is well?

**Mr Stuart**—The decisions are very much within the portfolio of the AFP. Again, we might have a view—for example in the area of terrorism through the Ambassador for Counter-Terrorism. As you know, he has a role in promoting our overseas CT response. We may also have a view on the desirability of police being in a certain place. But the decision to do it would go through, in this case—

**Senator FERGUSON**—The reason I ask is that sometimes it is intertwined. I am thinking particularly of the DeLay amendment, which says that American armed forces will have no contact with Indonesian armed forces until such time as the issue of the Americans who were murdered in West Papua is solved. Is that a Defence decision or a Foreign Affairs decision, because it seems to be intertwined, and do we have any influence? We still have contact with the Indonesians. Does that mean that the lines become blurred between Defence and Foreign Affairs? Because, if they are expecting us to provide information to them or do any—

**Mr Stuart**—I think there are two issues there. There is one issue about what decisions the Australian government makes about deploying defence personnel overseas and there is another decision about what is Australia's view on US-Indonesian defence relations. I think there are two issues. On the second one, Mr Grigson could comment.

**Senator FERGUSON**—Before you comment, it seems that it is a foreign policy decision to decide where defence people might go and then a Defence department decision to decide how many go, who goes on where they go within that policy decision.

**Mr Stuart**—You mean, if we were not to send someone to a particular country?

**Senator FERGUSON**—Yes, that is right. If we were to say that we were not going to send people to Indonesia, that is a foreign policy decision, isn't it?

**Mr Grigson**—I think what you are talking about is, for want of a better phrase, the strategic decision to engage with a particular country. In my suite of countries, for instance, we would coordinate policy with Defence. If the Department of Foreign Affairs and Trade had a policy view that interaction with an Australian agency—Defence in this case or, for that matter, the Australian Federal Police—would be in our interests, we would go to that department or agency and ask essentially two questions. The first question would be, 'Do you agree with the general policy view that it would be in our interests?' The second question would be, 'Can you do it?' I think that is what you are asking. Certainly our involvement would be significant in the first part, which is the policy determination. Then, firstly, whether it is possible and, secondly, the detail of the deployment would largely be in the hands of the relevant agency. In this case, you are talking about Defence. Is that what you are getting at?

**Senator FERGUSON**—Yes, that is the sort of thing. Does our Department of Foreign Affairs and Trade try to influence at all the decisions that are made? We are talking about a US-Australia defence relationship. You have Indonesia, which is a very important country in the region, with virtually no contact with the United States military forces because of this DeLay amendment. Does that mean that we fill the role for the United States? Do we do their job for them?

**Mr Grigson**—I think this comes to the second part of what David was talking about—that is, our involvement, again for want of a better term, in the US link-up with Indonesia. Certainly, as I said before, we take opportunities to put to the US administration, congress and whoever else we speak to, the importance of Indonesia. Certainly, we encourage military-to-military links within what the US finds acceptable. That would be the equivalent at home of the policy decision. But the detail of how the US engages with the Indonesian military really is an issue for them. It is true to say that we do advocate engagement between the US military and the Indonesian military within the parameters of what the US thinks is acceptable. You will know that recently there was a decision to restart IMET—the international military education and training program—involving Indonesia. That is a step in the right direction.

**CHAIR**—I have a question on ANZUS and the situation of the partnership with New Zealand and the United States on the nuclear issue. Does that in your view weaken the ANZUS treaty? What effect does it have on the treaty from Australia's point of view?

**Mr Newman**—It clearly has the effect that, within the treaty from United States perspective, New Zealand is treated differently. In terms of our actual alliance relationship with the United States, it has not had any tangible effect. Over the many years now since New Zealand's decisions on its nuclear weapons program and about not allowing access to the United States nuclear powered or armed vessels, we have seen the alliance strengthened—not for the reason of New Zealand leaving, but it has not been an obstacle. We see the issue as very much one that can only be resolved between the United States and New Zealand. We should not become involved in it. I think it is probably more appropriate to ask the Defence department representative about any practical effects in terms of exercising and so on that might have resulted in making operational training and other arrangements less easy.

**Senator FERGUSON**—So you think the question we should ask is: does the US regard New Zealand as a friend or an ally?

**Mr Newman**—Yes. That is very much the position we have heard from the United States a number of times.

**Mr EDWARDS**—I have a question that flows on a bit from the question that Senator Ferguson asked in relation to Indonesia earlier. In your view, could Australia do more to assist Indonesia to reduce the tensions with the United States legislature that led to the DeLay amendment restricting US military engagement in Indonesia?

**Mr Grigson**—I think that, really, US-Indonesia relations is an issue for them to take forward. But, as I said before, we encourage at every opportunity—

**Mr EDWARDS**—Did you say it is an issue for them?

**Mr Grigson**—Yes. US-Indonesia relations are an issue for those two countries. But obviously we have a very significant interest in that relationship being a good one. As I said before—and I do not think I can overemphasise this—we advocate at the highest levels, to both the Indonesians and the Americans, that they work on their relationship. In the US, we say to the US: ‘Indonesia is a country of significant strategic weight. We understand that you have many priorities before you, but Indonesia should be one of them.’ In many of those parts of government in the US that matter to us, where policy decisions are made, my view is that that is well recognised. I would be the first to say that that is not the case across the country, but it certainly is in the Department of State and, as I talked about before, Pacific Command. I do not know the nature of your interaction with them, but when we speak to them about Indonesia we find them very open and willing to discuss it with us and often they are well informed. We also encourage Indonesia to think about reforms or steps that may improve their relationship with the US. The detail is a matter for those two countries, but it is something that we do work at—and work at hard.

**Mr EDWARDS**—I understand that you would think that it is a matter for those two countries, but we are a player in this region. Do you think there is anything that we can do to assist Indonesia to reduce the tensions that exist between Indonesia and the US? Or, beyond making a few airy-fairy recommendations, are our hands simply tied?

**Mr Grigson**—I would not categorise advocacy at very high levels of government in Indonesia and the US as airy-fairy recommendations.

**Mr EDWARDS**—You did not give me any indication that they were high level.

**Mr Grigson**—I said that they were at the senior levels of government, I believe. This is not something that is done by third secretaries in Jakarta. This is something that is done by senior visiting officials and ministers. As I said before, I cannot overemphasise the effort we put into it. We think President Yudhoyono is a very positive development in Indonesia. We think the Indonesian community have handled a difficult transition to democracy very well. There is no doubt there are challenges before them, but they are working on them, and we advocate to our significant partners and allies, including the US, that that is something that should be recognised. And, as far as I can tell, that registers with the US.

The other thing I would say to the committee is that I would not underplay the nature of US involvement in Indonesia. It is very large. They are involved in many different areas. They have a very large embassy. They are very well informed, and they work hard on common interests that range all the way from CT to the development of civil society.

**Senator FERGUSON**—At no stage have I suggested that they are not well informed about Indonesia. But on our very first day after leaving Australia we went to Pacific Command and they gave us a briefing on their sphere of influence, and the only country they did not mention was Indonesia. We are not saying they do not know. It is just that it did not appear with any priority. I am not suggesting they are not well informed; they are pretty well informed about everything. But, of the things we were concerned about, one was that it did not immediately spring to their attention that they should even mention Indonesia. The other thing was that, when we got to Washington, none of the people we spoke to even knew that Indonesia existed. I do not mean the people we spoke to in the Pentagon—they knew; they were pretty well informed—but the people who are decision makers. The law makers of the land over there were, I thought,

incredibly ill informed. I am not suggesting that the Americans do not have an influence or do not know; I am quite sure that they do. But I was surprised that it did not slip a little up the priority list when they started to talk about Pacific Command's sphere of influence and the area under their control.

**Mr Newman**—It could well be in the nature of the briefing. When the briefers make a decision about what a delegation would be likely to be interested in, the instinct is to focus on the potential trouble spots—places where tension might be high and military force might be involved—whereas in Indonesia the issues are of a different order. So they may have approached the briefing in that way. As Mr Grigson mentioned earlier, certainly we have very intense exchanges with PACOM on Indonesia. We know that the US military is keen to do more and that they want to expand and continue the IMET program. So to put too much weight on that briefing may risk misrepresenting PACOM.

**Senator FERGUSON**—I hope you are right, but I am rather sceptical.

**Mr Grigson**—Perhaps I could say finally that I do not think we are in disagreement on the issue of priority, without making a comment on the relative weight of the judgments about it. We accept that it is important to keep Indonesia before the US system, without getting into which parts of it. As I said, we go about that at high levels and on a consistent basis.

**Mr SNOWDON**—Professor Tow this morning discussed the issue of alliance entrapment. Is there is any concern in the department about the view, which may be widespread in the Australian community, of alliance entrapment and, indeed, subservience to the US in terms of foreign policy; and, if there is, how we should counter it?

**Mr Maude**—I would not agree that the majority of Australians are worried about being trapped by the alliance. A number of polls on support for the alliance have been done by various organisations. The most reliable one is the Australian electoral survey, which has the best longitudinal data. They have asked a question about the alliance, I think, at each federal election going back about a decade. Over that time, support for the alliance as being important for Australia's security has stayed remarkably high. At the last federal election the survey had, from memory, about 84 per cent of respondents saying that the alliance was either very important or fairly important to Australia's national security. I think one needs to distinguish between what I think is the strong instinctive understanding of most Australians of the support for the alliance and broader community views about any particular US foreign policy of the day. I think we have shown that Australians do distinguish between the two. Even where many Australians may not support a particular US foreign policy, they still understand the value of the alliance.

**Mr SNOWDON**—I would never have asserted that people do not understand the value of the alliance but, if you drill down, you still get the issues of subservience and entrapment.

**Mr Maude**—Coming to the issue of whether we could be trapped, the alliance is a set of reciprocal commitments and, for it to have any value, Australia cannot free-ride in it. Inevitably, dealing with a superpower does bring with it its own set of challenges. But we are neither compliant in our relations with the United States nor trapped by the alliance. The alliance does not limit our sovereignty in any way. Each party in the alliance has its own national interests and we pursue those vigorously. We find ourselves with common policy positions quite often, but



that is not because we are compliant; it is because we share very similar perspectives on global issues and because our relationship is underpinned by shared history and shared values. So we do tend to agree a lot on terrorism, weapons of mass destruction, human rights and democracy. Where we have disagreements—and we do have disagreements with the United States—or where we take different approaches to issues, we are very clear in identifying them.

**Mr SNOWDON**—We had a discussion this morning about the changing attitude of the neocons in the US towards pre-emption. A view that could well be about currently—I am not saying it is—is that Australia's foreign policy changes have become a response to changes initiated by the foreign policy club in the US.

**Mr Maude**—I think you are probably verging on matters of policy there, but the government takes each decision on its merit and considers it against the national interest.

**Mr WILKIE**—I asked before about international trafficking in arms and associated regulations. Your comments in that regard led me to believe that something is happening but you cannot talk about it. In the Defence submission, they comment specifically about what is going on. I would like you to expand on what they have put in their submission, particularly regarding what is happening with the 2005 National Defense Authorization Act and how the department are trying to expedite a defence export licence for Australia and the UK; I would like to know where that is at. The submission also talks about a special category of licence known as an embassy licence under the Defense Licensing Export System. I would like to know what an embassy licence is, how it has been established and how it will benefit Australia in procuring goods.

**Mr Stuart**—I will take that on notice. As I said, I provided an answer in March and I have updated it. But, to go into that sort of detail, I will take it on notice.

**Mr WILKIE**—What I want to know is where that is at and how it is likely to benefit us in the near future.

**Mr Stuart**—I will take it on notice. For some of those issues, such as how the state department administers the ITARs Act, we are the interlocutor with the state department, but some of the individual issues of licences for particular lines would be done by Defence colleagues, so I would need to take it on notice.

**Mr EDWARDS**—There seems to be emerging polarised views that can be summarised as viewing China either as the great prize or as the great threat to the future. The 'China as a prize' view seems to be held across the political spectrum in Australia, but the US view is not as clear. Could you describe the US view of China and how this position might influence Australia?

**Mr Newman**—It is a very complex question, I think. There are, obviously, a range of views within the United States system, taken in the broad. I think if you look at what the administration says publicly and privately you will find that they are very much focused on wanting to manage the relationship with China in a constructive way. They, themselves, have a very large economic stake in that relationship. China is a major source of imports for the United States system, with consequent problems for the deficit. It plays out in congress in ways that you might have seen 20 or so years ago with concerns about Japan's economic strength and what it might mean for the

United States industrial and manufacturing base. So that does lend a sort of a neuralgic tension to the relationship.

But overall I think that the United States administration has a view very similar to ours, that the rise of China can be a very positive event. It is going to be a very shaping factor in how relationships develop that we want to bring China in to global society, abiding by the sorts of rules that we follow, that we engage with them in constructive ways, as has already been happening in the negotiations bringing them into the World Trade Organisation.

The United States has been very careful to avoid terms like ‘military containment’ or anything like that. I think at the moment it is a very open situation, and I do not think that there is any difficulty between us and the US administration. I think the best most recent statement about these issues was the Sir Arthur Tange lecture that the minister for foreign affairs delivered a couple of weeks ago—I cannot remember the date but it was quite recent.

**Mr Grigson**—In early August.

**Mr Newman**—But he covered that very well in terms of the important relations that Australia has with both China and the United States but also how qualitatively different those relations are, but not necessarily bringing us into any conflict at the time.

**CHAIR**—Thank you very much to officers of the Department of Foreign Affairs and Trade: Mr Grigson, Mr Stuart, Mr Newman and Mr Maude. Thank you very much for your evidence today. There will be a copy of the evidence sent to you, to which you can make corrections of grammar or fact.

**Proceedings suspended from 11.30 am to 11.53 am**

**CARMODY, Mr Shane, Deputy Secretary, Strategy, Department of Defence**

**CHAIR**—Mr Carmody, welcome to this public hearing of the Defence Subcommittee. Do you wish to make an opening statement?

**Mr Carmody**—No, thank you. I am happy to take questions.

**CHAIR**—We might open the innings: I am sure Graham Edwards has some good spinners.

**Mr EDWARDS**—There are a few questions that we would like to ask. Mr Carmody, US officials who briefed the committee delegation acknowledged that the Boxing Day tsunami exposed their lack of understanding of Indonesia. Firstly, given that the US military is restricted by congressional legislation, by the Leahy amendment, from re-engaging with Indonesia, is the Australian Defence Force adequately covering this deficiency? Secondly, in your view, could Australia do more to assist Indonesia to reduce the tensions with the United States legislature that led to the Leahy amendment restricting US military engagement with Indonesia? I guess I am more interested in an answer to the latter question than to the former.

**Mr Carmody**—Thank you. In dealing with officials of the United States, it is a vast bureaucracy, as you well know. There is certainly not as great an understanding of Indonesia as there is here, nor would I expect there to be. But there is quite a good understanding. During my visits to the United States and in our dialogues in terms of defence policy talks, milreps, the Australia-US ministerial talks and a range of other fora, Indonesia always comes up. I think quite seriously that the United States—at least, the people I deal with in the United States—are always seeking our views on Indonesia. One could argue that their knowledge of Indonesia is not as great as ours, as I said, but that does not mean that they do not have any at all. I do think that there is probably not a great deal more we can do to encourage this level of knowledge, but there are some things. For example, every one of the times that I have visited in the last couple of years, I have taken some time to reinforce with the Office of the Secretary of Defense and the people that I deal with the progress that has been made in Indonesia in the last couple of years. And now they actively seek that. So I believe that there are ways that we can send the right sorts of messages. We do so in all of the fora in which we deal with the United States. Could we do more? The challenge, I think, is that this is an issue of US policy, or has been. We can certainly encourage the US to look more openly at Indonesia, to deal more regularly with Indonesia. But of course they have some restrictions and they have had them for some time. So the best we can do is to encourage quite often by saying that there is a lot of progress, and we do so.

**Mr EDWARDS**—Given that this is likely to be the focus of at least one recommendation in our report, could you perhaps enlarge on how you think we might do it and what might be our priority areas or our target areas where we could try to assist, particularly the Indonesians, to perhaps ease those tensions?

**Mr Carmody**—My knowledge of the Indonesians is that they are very keen to have a good relationship with the United States. In doing so, they themselves need to ensure that they meet the requirements that the US is setting for them in terms of openness and transparency. They have met some of those already and that is where I see the indications of great progress. In terms

of what we can do, at a bureaucratic and probably a government level, we can continue to reinforce the positive steps, the positive progress, that Indonesia is making and we can seek ways where we can engage with Indonesia and with the United States. So, for example, if opportunities present on things like the global war on terror and proliferation security and any other security related area, we can seek ways where the United States can be engaged with Indonesia. As you know, we have had some engagement with the Indonesian military, the TNI, where the United States has been limited in its engagement to focusing on the police because of the restrictions that they have. In summary, there are things that we can look for, but it is very much an issue of understanding between Indonesia and the United States.

**Mr EDWARDS**—Thanks.

**CHAIR**—The recent deployment of the Al Muthanna Task Group to protect Japanese Self Defence Force engineering troops was a significant indication of the development of a closer defence relationship between Japan and Australia. Should Australia be comfortable with a Japan that is more active in regional and global security affairs? And can a militarily powerful Japan and China peacefully coexist?

**Mr Carmody**—A couple of tricky questions there, Mr Chairman. On the first one, we have long encouraged Japan to play a more active international security role commensurate with its size and its status. As you know, Japan has quite often made significant financial contributions to events but sometimes has been restricted constitutionally in its practical contributions. Nevertheless, we have worked with them in Cambodia and in East Timor and now we are working with them in Iraq. On a slight point of difference, I do not consider that we are there protecting the Japanese Self Defence Force in Iraq. What we are doing practically is providing a secure environment in that region which allows them to carry on their day-to-day duties and to operate in the region knowing that that province is secure for their operations. But in a practical sense we do not actually guard them in a close way.

On the question about Japan and China, there is certainly tension between Japan and China. The reality is that they both need to accommodate one another. China's economic growth is inevitable, what is happening in terms of practical growth is inevitable, so China will become more powerful and more influential. China and Japan need to find a way to accommodate that relationship. In the past it has never risen to the point where it would cause too much tension—the underlying tension has been there but it has never risen past a point. It is likely as China grows that opportunities will present themselves for diplomatic disagreement, and they need to work a way through it.

**CHAIR**—Could you go back to the question on the Al Muthanna Task Group and explain a little more comprehensively what those troops are doing in relation to the Japanese.

**Mr Carmody**—The Japanese are undertaking reconstruction and aid related tasks and they need to be able to operate in an environment which is secure. Our task group in Al Muthanna Province actively patrols in the province and maintains the security of the province itself, rather than, if I can use an analogy, being parked beside the Japanese while the Japanese are conducting their reconstruction efforts at a particular place. Rather than being parked there and actively guarding them, we are ensuring more broadly that the province is secure by active patrolling and active movement around the province. Of course, there is an extremely close relationship and

liaison between the Japanese and Australians so that we know where they are operating, they know what we are doing and we can provide active and appropriate security in the province to ensure that no threats arise. So it is slightly different from actively guarding. For example, if I am in Iraq and our security detachment is with me, they are actively guarding, they are running around and protecting, which is very different.

**Mr EDWARDS**—I would like to follow up a couple of things. Our force up there is about 450 people. How are they handling the job? What sort of pressure are they under and what sorts of challenges and dangers are they confronting?

**Mr Carmody**—They are handling the job well. They are certainly under pressure because operations bring that pressure with them, as you well know. They are handling it well. Some of the difficulties, the things that they need to be aware of, are the regional political situation, if you will; the situation of relevant tribes in Al Muthanna Province; the governance in the province; who is powerful and who is not; and where the threats are likely to be. That is how they manage the security of the province itself. They deal with the local community and they are trying to find ways to be as close as they can to the local community, because that provides them with information that they need to provide security. Certainly they are under pressure, but operationally they are working to ensure that the threat levels in Al Muthanna Province remain as they are or decrease, rather than increase to the level in other parts of Iraq.

**Mr EDWARDS**—I understand that much of the focus and much of the thrust of the training our people are involved in is on training the Iraqi defence people to do their own—

**Mr Carmody**—There is a team there doing that, yes.

**Mr EDWARDS**—How much time are they putting into that training effort?

**Mr Carmody**—There is a full-time training team—

**Mr EDWARDS**—Are they part of the 450?

**Mr Carmody**—Yes, they are part of the 450. I do not have the numbers with me. I could find them for you. I think it is probably about 50. Their commitment is essentially full-time training. If you like, you could break the 450 into two groups. You have got 400 providing the province security, the command and control and all the things that surround that. They are also providing security for their own training team as part of their normal operations.

**Senator SCULLION**—I would like to go to your view of the bilateral relationship in the context of the Asia-Pacific region. I know it has had some tests in terms of the tensions that the Americans, for example, have had in Indonesia, their incapacity—it was mentioned earlier by my colleagues—to understand the roll-out and the impact of that. Obviously there have been some long-term tensions, particularly in Indonesia. Do you think that the bilateral relationship is sufficiently robust to ensure that the roles and responsibilities are not duplicated? Is the relationship strong enough to put into effect all the benefits of that sort of alliance in our region, given those tensions?

**Mr Carmody**—In my view, it is. From an Australian perspective, a Defence perspective, we have our own program of engagement in the region with Indonesia, with all the ASEANs and in the Pacific. We work very closely with Pacific Command in Hawaii, and they have what you would call a similar engagement strategy. We put our two strategies together and make sure that they are harmonised. So we talk to one another, which is important. Their focus is different from ours, in my view. They probably have a slightly stronger focus towards North Asia than they do towards South-East Asia, certainly than they do towards the Pacific. That does not mean there is no focus; but, at a practical level, the Pacific Command is, for all intents and purposes, a war-fighting command. So, at a practical level, if it is planning and thinking about what it is doing, it is thinking about its major contingencies, the major problems that it will face.

That being said, we deal surprisingly closely with the United States—more closely than we do with anyone else—on countries like Indonesia and elsewhere. We talk about our small engagement efforts in the Pacific and make sure that their engagement effort does not cross over with ours, because we might find a situation where we are providing assistance in particular countries and we think that that assistance is sufficient and we do not really want an additional capability to be delivered there. We talk to them about that. It works very well and very closely. I know it sounds very upbeat, but I am very positive about it because I work it on a day-to-day basis and have been doing so for a few years.

**Senator SCULLION**—What about some of our regional partners' responses to that? For example, I would say your relationships with the Indonesian military are more direct than with the US—

**Mr Carmody**—Yes.

**Senator SCULLION**—Would there be an understanding from the Indonesian military that, when they are speaking to you, they are speaking to the alliance? I understand some of those tensions and I would expect you could confine them to your answer.

**Mr Carmody**—They hope so.

**Senator SCULLION**—They see you as a legitimate conduit to the alliance?

**Mr Carmody**—They look at it in a slightly different way. I think they have an expectation. They know that we have an alliance with the United States and they know that they are constrained in dealings with the United States—and sometimes they have difficulty understanding why. It is clear to us and it has been explained to the Indonesians on many occasions. But they certainly know that we are close. When I am dealing with my colleagues, my interlocutors, in Indonesia, for example, we will talk freely about our relationship with the United States. They will ask us why the freeze, why these issues are occurring in their relationship with the United States, and we will tell them. So they do not quite give us a message that they want to go through. We are not really in the message-carrying business. But they have an understanding when they are talking to us that it is quite likely that we will talk to our ally about them, and I think in so doing our frank relationship with them works.

**Senator SCULLION**—As an observation: post the so-called Asian financial meltdown, America was very quick to take share of market in commodities like cotton in Indonesia, for

example. There seemed to be a very close relationship between trade, bureaucrats and ministers in the United States on that matter and yet not in a military way. Do you think that is because the bureaucracy is tiered in a way that there is not that level of engagement, or is it simply a philosophy of the United States driving it and saying, ‘We aren’t talking to you about that issue, but we are about this’?

**Mr Carmody**—I am not certain that I am familiar enough with the construct to respond. It may well be the latter. I could look at it another way and say that, before the Asian meltdown, Indonesia had quite a strong leadership role in ASEAN—it was a very visible leading partner in ASEAN, given its size and economic might. I think the United States would share the view that it would be useful if Indonesia worked its way back to that position, as we would also.

**Mr WILKIE**—Thank you for being here, Mr Carmody, and thank you also to Defence for actually taking the time to put in a submission outlining your response to the issues paper—

**Mr Carmody**—Our pleasure.

**Mr WILKIE**—unlike the Department of Foreign Affairs and Trade who could not be bothered. I was looking at pages 15 and 16 of your submission as it relates to the international traffic in arms. I am wondering how that issue has prevented us from gaining access to the most up-to-date technology and equipment when developing our capability, and if that has in fact been a problem. You make some notes on page 16 about what is being put in place to try to address those issues. Do you know where that is at?

**Mr Carmody**—It would be better for Australian industry, Australian business and the defence organisation if the ITAR arrangements that the United States government tried to put in place were in place generally. At the same time, I know that there are probably some compliance costs for Australian industry to meet what ITAR might bring with it. But, at the end of the day, on balance, I think it is better rather than worse for Australian industry. As we said, the amendments have been stalled, but we see some light at the end of the tunnel with the United States working towards the other agreement—the National Defense Authorization Act—which is trying to find a way to speed up the processes for us. I think there are countervailing forces in the United States, but they are trying to help us and they are trying to help the UK, and that is useful.

Getting back to the point about how much capability we lose—I suppose that is a nice way of putting it—there is a bit of a swings and roundabouts debate here, in my view. We operate at the highest level with the United States. I think Australia, the United Kingdom and the United States are operating at the highest levels of war fighting that are possible. We will not get everything from the United States, and we do not expect to, but we do think that we are further ahead than anyone else. I would say that, because of the focus on interoperability and sometimes ways of operating in combat, it is not only the highest bit of technology, it is not only that extra bit of technology—it is how we command and control, how we operate, how we work together and how we integrate. I believe there is a balance—I think the two things are in balance. We get so much from our interoperability and our other activities that that counteracts any shortfall in technology.

I do think that there are certain areas of technology that they will not share—and I understand the view of the United States; they are entitled to have their strategic sanctuary, like anyone else,

and I think that is what they have. We do try to deal with them on a case-by-case basis and make sure that it is not bureaucracy causing the problem—that it is a practical releasability issue—and I think we are successful by and large.

**Mr WILKIE**—What sort of access does Canada have? I note from the submission that Canada actually enjoys an exemption.

**Mr Carmody**—They do have an exemption, but I suppose I would look at the other side of the debate: where we are close with the United Kingdom and the United States in Iraq and quite integrated within headquarters. In that command and control sense, in that practical war-fighting sense, I think we are more integrated than Canada. I actually think we are further ahead than behind. They do have an exemption, though I do not know how much of a leg up that gives them. But I am certain that our advantages that manifest from the way we operate with the United States are very good.

**ACTING CHAIR (Senator Ferguson)**—You mentioned interoperability. From our experience during the recent trip to the United States, we would say that interoperability is a good thing, of course, however, it is an expensive thing from Australia's point of view. For instance, we had a fairly good briefing on the JSF program. You would be aware that there is some significant criticism of the program and the fighter in the United States, including from within the congress, which voted against extending finances to the program. What is Australia's attitude at this stage to the whole JSF process? I would be interested in your views. I am not being critical or otherwise of the actual JSF, I am more interested in how we are going to handle the process of delay and where you think it is all at.

**Mr Carmody**—Before I go to the JSF, can I address interoperability in the broad sense. Interoperability manifests some of its capability in many ways, like having the JSF, maybe the air warfare destroyer or the airborne early warning and control and those sorts of issues. It manifests that way, but it manifests very much in how you practically command and control forces, how are you share intelligence and operate on the ground.

**ACTING CHAIR**—It goes beyond materiel.

**Mr Carmody**—I think the two are in balance. If I look around and see that there are a lot of high-end capabilities that people can go and buy, that does not mean they can use them and operate them in the same way that we can. Getting to the JSF, it is certainly expensive. In my discussions with my colleagues in the US as part of the quadrennial defence review and others, I see the program still going ahead, and I see it still going well. We are told it is going well. We have some insights into it and we have Australian industry involvement in elements of it, and that is good. I would venture that it is probably going to be the most capable platform for 20 or 25 years, regardless of whether it is a year late—and I am not even convinced that that is the case. We look at the program quite a lot, but at the end of the day I suppose we are hostage to United States delivery and we are hostage to the capability that is actually delivered. That is because we are buying that platform and we think that it is the best platform. So when I say we are hostage to it, it is only in the sense of their delivery time frames.

We have a great deal of confidence that it will give us what we need. Looking at our air power, the link between joint strike fighter, air-to-air refuelling and AEWG, it will give us the



type of edge that we wish to maintain. If there is movement around the edges, I think that we can manage it. We have looked pretty hard at that and we continue to look hard. I get conflicting views, whether I read it in the press or I hear it from the project office, about how much things might or might not move. At the end of the day, my summary is that we are confident in what we are getting, and at the moment we are confident with the time frames. If they move, they move.

**ACTING CHAIR**—When is the quadrennial defence review due to be completed?

**Mr Carmody**—It is due to be completed at the end of this year, so we understand. Again, I have seen some reports that say they are trying to accelerate it. There is a lot of effort to try and accelerate the quadrennial defence review, push it through and make sure it delivers something. These things are very complex animals to move through in a large bureaucracy. I was told that it would be completed by the end of the year, but I also get a feeling that it may be slightly earlier.

**ACTING CHAIR**—Have we committed yet to the particular type of JSF we are going to have and whether it is a land based, short take-off and vertical landing combination?

**Mr Carmody**—We have not committed to the type nor have we committed to the numbers. We have not made a decision on how many. The white paper from 2000 says about 100. Depending on who you speak to, 99 would be really good depending on where you are in the budgetary cycle. Some other people think that 50 would be good. I think there is a lot of analysis going on within Defence at the moment by Air Force, the project office and DSTO to model how the JSF will work with the new capabilities because we have never had airborne early warning and control before. They will look at how these things work and the impact on the numbers, the numbers we need, how many missions they need to carry out and whether they can carry out that number with various combinations of aircraft. I know that work is under way.

**ACTING CHAIR**—Do you have any concerns at this stage given the problems with weight and other technologically advanced systems that are still being developed? Do you have any concerns about cost blow-out?

**Mr Carmody**—A factor in cost blow-out I think would be whether the United States decided to reduce the number of aircraft it was acquiring. To me, that would be the driver. I would expect there to be movement in the cost as you are trying to develop a new capability. I believe the weight issue is under control—that is more anecdotal than practical. I have not got anything final on that. I think the biggest driver in cost is the number of aircraft that the United States buys. If the United States still structures its force in the way that we think it is going to structure it, then the costs are probably going to be under control. I say under control very loosely because I do not know how much movement there is in this at the end of the day. We certainly have some concerns if they get very expensive. Ultimately, sometimes, you have to cut your cloth, but we are a long way short of that at this point.

**Mr WILKIE**—On the cost issue, I am mindful of the F111s. I cannot remember the exact cost, but I think they were originally going to cost about \$4 million and ended up costing \$21 million. If the same sort of scenario panned out with the JSF, we would be in deep trouble.

**Mr Carmody**—I remember the original cost estimates for Parliament House. Dealing with new technology, we have to expect some cost growth. At the same time, we are not in this alone.

I would be much more concerned if we were trying to develop our own aircraft, because you have no control of the profile. At the end of the day, there are a lot of players in this game. A lot of people are going to be using JSF and there will be a lot of pressure from bigger purchasers than us, I think, on the United States to keep costs under control.

**ACTING CHAIR**—The committee is about to start another inquiry that you would be aware of that will deal with JSF and the air gap. I have no doubt that we will be talking about this for some time.

**Mr Carmody**—There is plenty to talk about.

**Senator SCULLION**—In regard to interoperability, it is obviously very important when we have an alliance as we do with the United States. In regard to our recent purchase of ARH Tigers in terms of interoperability, I think it is a given that we have not gone the same way as we have for the Hornets and now with the JSF. Can you comment on why that was the case? Do you think that is an inconsistent approach to policy or do you think it is a different platform and therefore needs a different approach?

**Mr Carmody**—I am not an expert in helicopters, but I understand very clearly that it is a better platform. Just because the United States have an Apache and have the capability does not mean that we necessarily should buy it. When they have the best capability, I think we should, but if there is a capability line then I think we should not. I believe we have ended up with an excellent product in the Tiger.

Going to the interoperability issue, there are levels of interoperability in maintenance, spares and operations. We will work with the US to put the type of equipment on the platform that we need for interoperability reasons. Our command and control and interoperability at an operational and tactical level will not be affected. The armed reconnaissance helicopter goes out there and shoots things and, in that tactical and operational environment, the way we would command it would be the same whether it was a Tiger or an Apache. I think the difference might be in spares and issues like that. But if at the end you have a better capability and you can fit it well within your force structure, I think it is useful.

I will make a final point, if I may. This is not a driving concern, and maybe it was not even a consideration, but it is not a bad thing to have a bit of non-US equipment. There are occasions when the accusations come from either side: 'You buy everything from the United States and you do not give anyone else a chance, so therefore you are linked,' versus 'It is good policy to buy from the United States.' I think it is good policy to buy the best gear and find a way to fit it.

**Senator SCULLION**—So your policy approach would be—I do not want to put words in your mouth, but you can tell me if I have it right—to prioritise the selection based on the quality of platform and fit for purpose. Of course, if somebody else has made that same decision, that is all good.

**Mr Carmody**—That is right. There are always considerations. For example, if we were buying a lot of a capability and we said that there was a marginal difference between one and another but we had so many of them that the logistics support aspects were going to be in our favour if we went with this capability, and there was virtually no difference, I think that would

be a factor. The tender process is pretty transparent. The evaluation process sets out the weightings, but my principal weighting, my start point, is always the best capability. But, in the tender process, the tender evaluation board sets out those weightings, and it might weight sustainment more than this or it might weight this capability more than that, and that is something I could not control.

**Senator SCULLION**—You might have to take my last question on notice. It relates to the different maintenance cycles that we enjoy in the United States and in Australia, particularly for the newer aircraft. I am not sure what JSF is going to come up with. With each of our pieces of equipment we have a variety of contractual arrangements with non-Army and non-defence personnel, and the issue of deep maintenance on the front line—for example, if something breaks and requires deeper maintenance than our front-line troops can supply because of contractual arrangements, the difficulties of bringing non-Defence Force personnel into an active engagement create tensions. But when you are talking about interoperability—and we are purchasing these things—clearly that is going to become an issue that we are going to have to consider in the future. I am talking not only in the contractual sense but in the practical sense of interoperability, because of the interoperability of the contractual arrangements. If they are using different sorts of contractual arrangements, the actual capacity for interoperability may well be restricted because of our contractual arrangements. As I said, this is something on which I am not looking for an instant answer.

**Mr Carmody**—I think it may be restricted—although, at a practical level, I am stunned and amazed at how many non soldiers, sailors and airmen there are in the area of operations. If you were to go back 20 or 30 years you would find the odd civilian around, but not very many, particularly in our case but also in the United States. Now the contractual arrangements go a long way forward. Certainly we have to make sure that, to the extent that they need to be, they can be harmonised—in the same way that, with equipment from the United States and spares, our preference is to go to the US supply chain with a credit card and buy them rather than having to deliver them ourselves, where we can possibly do that, because it makes logistic sense. We have done that with ammunition during the Iraq war, for example. So I think the circumstances will vary. It is important for us to look more at how we develop these contractual arrangements and look more at how we might support our forces forward with the new technologies. But I think it is manageable, because in some ways the United States grapples with the same problems. It is manageable for both of us.

**Mr EDWARDS**—Are you aware of a Foreign Affairs program where they bring out a number of congressmen, senators and staffers to Australia? Does Defence have any access to these people?

**Mr Carmody**—If it is the program I am thinking of, yes. My recollection is hazy and I can take it on notice, if you like. Various groups come out and they quite often want to talk to us and we would spend an hour or so speaking to them. We have had individual senators and congressmen come out for other reasons as well, and we reciprocate. I can check for you, if you wish.

**Mr EDWARDS**—I was not interested so much in the individuals. I raise the question because we were disappointed to find out that within the United States, beyond high-echelon military people and people connected to the congress and the Pentagon, there was not a great deal of

knowledge of Australia's involvement with America. Indeed there was not a great deal of knowledge about Australia. I found that disappointing. One of the things that I am hoping we will look at as part of our recommendations is the question of some interoperability between the congress and the Australian parliament, so we can perhaps get a broader recognition within America and try to establish a program of exchange between congresspeople and senators. That is one of the recommendations I want to pursue. Would you see some value in something like that?

**Mr Carmody**—I certainly would.

**Mr EDWARDS**—Perhaps it could be funded by Defence.

**Mr Carmody**—I would have to stop before that point, I think!

**CHAIR**—They come anyway; that is the point.

**Mr Carmody**—They come anyway. If they do come, I think it is important for relationships at a political level between the United States and Australia. We work very hard on our colleagues within the state department and the Pentagon on trying to raise the profile of Australia in their eyes and to make sure we get recognition for the contributions that we make. We get all the right smiles and nods. I actually think we do pretty well because we have tangible things to offer, but we have to work very hard at it and we continue to work hard at it. If there are options for greater awareness at a political level in the United States of what Australia is doing, that can only help us, and it can only help us if it goes back to the points on ITARs, for example, and on restrictions in place by congress.

**Mr EDWARDS**—The Jones act.

**Mr Carmody**—Yes. There is a bit of natural self-interest in the United States, so we will not get as far as we would like to get, but any increased awareness would help us and we try and make all of those posts a winner when we can.

**Mr WILKIE**—Given that, do you think the Australian parliament has adequate knowledge of the relationship between the two countries, particularly at the defence level? How do you think we can improve that, if it is lacking?

**Mr Carmody**—I would have thought the parliament would have a good understanding.

**Mr WILKIE**—The committee does, I think, but I am talking about the broader parliament. Obviously there are quite a few of us in total, and I sometimes think that not everybody has a reasonable understanding of the relationship.

**Mr Carmody**—That is probably true, and members of parliament and senators have lots of other things to do, I suppose, so that might make them less available. But I actually believe that even in interaction with the US embassy here and in some of the forums that exist—the leadership dialogues and other things that actually are on—it is very important to get the messages across. If I had my choice, I would prefer to see the relationship run at levels other than defence—I would like to see defence, business, industry and the state department all

involved in these processes and all talking to one other. Parliamentary relationships are probably at the centre of that. So I think that any way that we could improve parliament's knowledge would help. However, I am not sure that I am qualified to make a judgment on how much knowledge there is or is not, I am afraid.

**Mr WILKIE**—Okay.

**CHAIR**—Mr Carmody, thank you very much for your evidence and for appearing before the committee. Before closing, I also thank all the witnesses who have appeared before our committee today.

Resolved (on motion by **Mr Edwards**):

That this committee authorises publication of the evidence given before it and submissions presented to it at the public hearing this day.

**Subcommittee adjourned at 12.36 pm**